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VIA HAND DELIVERY AND E-MAIL

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December 19, 2005

Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Generic Proceeding to Explore a Formal Request for Proposal for Utilities
that are Considering Alternatives for Adding Generating Capacity
Docket No. 2005-191-E

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COMMUNICATIONS
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Dear Mr. Terreni:

This letter and enclosure is being submitted to the Public Service Commission of South Carolina ("the Commission") in lieu of a brief or proposed order in this matter. After participating in the hearing in this docket, the South Carolina Office of Regulatory Staff ("ORS") is of the opinion that the present procedures utilized by the electric utilities in providing for South Carolina retail customers' capacity needs are satisfactory and that South Carolina customers are receiving the adequate and reliable service that electric utilities are obligated to provide. Therefore, ORS does not believe a rulemaking proceeding is necessary at this time. ORS believes the electric utilities should be allowed to make the initial decision on capacity needs and the means for meeting those needs; however, ORS also believes that any decisions made by the utilities are subject to review by the Commission and ORS.

Nevertheless, should the Commission believe that modification of the present procedures is warranted, ORS proposes that non-mandatory guidelines be adopted pursuant to an Order in this proceeding. In the event the Commission decides to adopt non-mandatory guidelines for new electricity generation, ORS respectfully puts forth the enclosed guidelines for the Commission's consideration.

With kind regards,

Shannon Bowyer Hudson
Shannon Bowyer Hudson

Enclosure

cc: Belton T. Zeigler, Esquire (w/encl)
Patricia B. Morrison, Esquire (w/encl)
Len S. Anthony, Esquire (w/encl)
Kendal Bowman, Esquire (w/encl)
Richard L. Whitt, Esquire (w/encl)
Frank R. Ellerbe III, Esquire (w/encl)
Darra Cothran, Esquire (w/encl)
Scott Elliott, Esquire (w/encl)

REQUEST FOR PROPOSAL GUIDELINES FOR ADDING/REPLACING GENERATING CAPACITY

The following sets forth recommended guidelines for Requests for Proposals (“RFPs”) issued by electric utilities (“utilities”) when seeking additional electric generation capacity to serve South Carolina customers.

The utilities of South Carolina have a duty and responsibility to provide an adequate and reliable source of electricity to their customers at the lowest reasonable cost. To provide additional electricity generating capacity, utilities may consider self-building new generating units or purchasing electric power from other entities. One of the tools utilities use in seeking additional electricity generation is RFPs, which invites interested parties to submit proposals to provide the needed power.

These guidelines are not mandatory, and it shall be solely within the utility’s discretion to determine when and under what circumstances it will utilize an RFP.

The RFP guidelines are set forth in outline form as follows:

1. Exceptions to the use of RFPs.
 - a. Baseload capacity, defined as generating capacity with an annual capacity factor of 50% or greater;
 - b. Near-term capacity needs, defined as needs of less than 12 months in the future;
 - c. Opportunity purchases that are economically justified; or,
 - d. If 10% or more of the utility’s generation resources were procured using RFPs.
2. RFPs should include, as appropriate:
 - a. Timing, amount and type of need (e.g., 350 MW peaking beginning in 2007);
 - b. Eligible sources (e.g., inside control area, portfolio vs. system sale, no restrictions, etc.);
 - c. Eligible sizes (e.g., minimum and maximum bids);
 - d. Eligible product firmness (e.g., system firm, non-firm, unit contingency vs. portfolio, etc.);
 - e. Performance standards;
 - f. Reliability requirements;
 - g. Scheduling requirements (e.g., dispatchable, day ahead, etc.);
 - h. Required constraint information (e.g., none, maximum number of hours per year, emissions limits, minimum/maximum run time, etc.);
 - i. Acceptable term (e.g., short term, long term, both);
 - j. Required pricing (e.g., fuel, O&M, start up costs, allowable use of market indices);
 - k. Electric transmission requirements;
 - l. Flexibility requirements, such as extension of term or early termination;
 - m. A model power sales agreement or a description of essential contract elements
 - n. A *Force Majeure* Clause;
 - o. Damages due to delay (new construction);
 - p. Creditworthiness of bidder; and
 - q. Provisions for damages.

3. Utilities using an RFP are to file with ORS:
 - a. Notice that the utility is conducting an RFP;
 - b. A copy of the RFP, and;
 - c. The utility's proposed schedule for conducting and completing the RFP.
4. All items under Sections 2 and 3 may be placed under confidentiality protection for purposes of conducting the RFP if revealing them would reveal either proprietary or commercially sensitive information. Any review by ORS or the Commission of the company's RFP process would not entitle any other entity access to confidential information exchanged in the process. Such confidentiality protection would extend after the RFP process.
5. If a utility's corporate affiliate submits a bid in the RFP process, the utility must ensure that the affiliate has no preferential access to information or has any unfair advantage over other potential builders.
6. Part of the RFP selection process shall include maintaining a list of bidders by name from which:
 - a. Bidders will be selected;
 - b. Bidders will be notified as to status (viz., selected, not selected); and,
 - c. The utility can request bidders to refresh/update bids.